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ORIGINAL

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November 14, 2002

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Marlene H. Dortch
Secretary
Office **of** the Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: **Mem a lur of Ex Par**
CC Docket No. 01-338, Review of the io 251 U
Obli of Incumbent Local C
CC Docket No. 96-98 Implementation the Loca
Provisions in the Telecommunications Act of 1996; and
CC Docket No. 98-147, Deployment of ireline Services Offering
d Tel communications Capability

Dear Ms. Dortch:

This letter is to provide additional information and or data requested of SBC in the course of recent Triennial Review ex parte meetings. In addition to the information in the attached Q and **A,** two analyst reports referenced in SBC's presentations are also submitted for inclusion in the record.

Pursuant to Section 1.1206(b) of the Commission's rules, this letter and attachment are being electronically filed. I ask that this letter be placed in the files for the proceedings identified above.

Please call me should you have any questions.

Sincerely,

CC: Rob Tanner

Q: What percent of CLEC lines are self-provisioned?

A: Because CLECs are not required to collate and report the number of lines they self-provision, and have not submitted this data in this proceeding, SBC cannot determine precisely what percent of CLEC lines are self-provisioned. However, as discussed in the *UNE Rebuttal Report* and based on independent reports and CLEC reports to investors, as of June 2002, CLECs served at least 167 million voice-grade equivalent circuits, the majority of which they provided over self-provisioned high-capacity facilities. A number of CLECs argue that the *Fact Report* overstates the number of self-supplied CLEC loops, but they fail to substantiate a different number. Moreover, the numbers set out in the *Fact Report* are consistent with the evidence available from independent sources. (See UNE Rebuttal Report, filed October 23rd, 2002)

Q: Does SBC ever provide a channel on a larger facility to fulfill an order for Unbundled Dedicated Transport (*e.g.,* a separate DS1 channel on a DS3 facility)?

A: Yes, but SBC's policy is to provide such a channel only on a "UNE" facility, not on a facility used to provide special access services. That is, SBC does not mix "UNE" traffic and special access traffic on the same facility. As SBC previously has explained, separate organizations within SBC are responsible for provisioning, maintenance, and repair for special access services and UNEs. Consequently, individual circuits/facilities are assigned either to SBC's access services organization or its local services organization, which maintain such circuits/facilities in separate inventories.

Q: Do we ever turn down requests for DS3 facilities?

A: SBC only turns down requests for unbundled dedicated transport when there is no spare capacity on a particular route.

Q: Do AT&T and Worldcom use Frame Due Time (FDT) hot cut procedure?

A: AT&T has used the FDT procedure

Q: What were the total number of circuits used to calculate the weighted average in SBCs presentation?

A: 45,625 Circuits

Q: Does resale allow carriers to offer the same services as UNE-P?

A: SBC is not aware of a single UNE-P service in use today in the SBC Regions that cannot be supported in Resale

This includes:

- Support for CLEC or third-party voice mail services, including access to Complementary Network Services (CNS) Features. such as:
    - Integrated voice mail, including Personalized Greetings
    - Call Forwarding, both Busy & Don't Answer
    - Message Waiting Indication, both Visual & Audio
- CLEC or third-party Operator Services (OS) and Directory Assistance (DA) through Customized Routing
- AN-based Features and Services
- Pre-Packaged Features & Services
- Inside Wire Maintenance
- Immediate availability of new Features & Services
- Promotions

Equity Research
Industry Update

Telecom Regulation

April 23, 2002

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WORLDCOM/MCI BUNDLED PHONE OFFER CHALLENGES RIVALS, REGULATORS

KEY POINTS:

- **Overshadowed** by its financial troubles, WorldCom/MCI **WCOM/MCIT** has unveiled a flat-rate residential package of local and long-distance phone services that we believe could have major market and regulatory consequences.
- We believe MCIT could expand its subscriber base in the short term, putting pressure on local and long-distance rivals (SBC, BLS, VZ, Q, T, FON) to respond competitively. That would cut into telco profit margins and also reduce the residential telephony opportunity for cable operators.
- MCIT's move also increases the stakes in the regulatory arena. If reasonably successful in attracting local residential customers using UNE-P discounts, MCIT will raise the political costs of Bell-backed efforts to restrict that market entry path. On the other hand, MCIT's increased local presence could boost Bell arguments for long-distance entry (though we believe the Bells were poised to enter anyway, so MCIT appears to be making the best of a bad situation) and possibly broadband relief.
- By intensifying local and long-distance competition, the initiative will raise additional complications for Bell-IXC mergers.

Summary. In a move we believe is tied to maintaining or improving the current regulatory framework, WorldCom's MCI Group (MCIT -- tracker of WCOM) recently announced it will offer residential consumers a fixed-price bundled phone offering. We think this is a risky strategy, but a smart one given WorldCom's limited options and mounting financial and market pressures. It has the potential to solidify MCI's relationship with residential customers and build support for favorable regulation, both of which are under attack. If the offering is successful, it will affect the economics of all the major telecom service providers and the policy debate in numerous proceedings. The bundle's success could aid Bell arguments somewhat in Sec. 211 long-distance proceedings and in the debate over incentives for broadband deployment, but it could also bolster CLEC efforts to preserve related federal and state regulation aimed at fostering local competition through Unbundled Network Element (UNE) strategies. We also believe that the plan could put pressure on other industry players to respond, thereby driving down profit margins without increasing aggregate revenue, and raising hurdles to Bell-IXC consolidation. We note WorldCom's financial troubles could affect the sustainability of the campaign.

The Offering. The MCIT initiative will include local, long-distance and value-added services (such as caller ID, voicemail and call waiting). It will be priced at $50 to $60 a month, with the price depending on the specific market. The plan, to be marketed as the "The Neighborhood, built by MCI," will initially be offered in 32 states (or parts thereof), a significant increase from the 11 states where MCIT currently offers local service. It plans to reach parts of all 50 states by next year. MCIT plans to offer the service primarily over the Bell companies' UNE platforms (UNE-P), which offer deep discounts and enable MCIT to add its own value-added services. The offering will be backed up by a national mass media advertising campaign, marking the first time that any local service offering will be the focus of the kind of intensive advertising that in the past has been characteristic of the long-distance and wireless sectors.

We view this as an eleventh-hour effort by MCIT to put a larger moat around its long-distance base of 18 million customers, and increase its revenues from those existing as well as new customers before the Bells gain long-distance enhy in all their states.

Impact on Others. If the plan has any material level of success, we believe it will create more competitive margin pressure for the Bells (SBC, VZ, BLS, Q), AT&T (T) and Sprint (FON), and, lo some extent, wireless providers. It could, like the big bucket offering initially offered by AT&T Wireless (AWE) and then imitated by the other national wireless providers, force all competitors to repackage their services. While a number of providers were moving toward bundling services, Neighborhood could force all to have an unlimited long-distance component. The price points of the MCIT plan will likely reduce the upside of long-distance entry for the Bells by squeezing profit margins, and put pressure on some of their local rates. It will create a soft ceiling on the monthly amounts that T and FON long-distance users will be willing to pay, though, as discussed below, it may improve the regulatory incentives for those companies to offer local service. The offering's success could also cause a marginal slowdown in wireless substitution for wireline service. Further, the more successful the plan **is,** the more it will reduce the attractiveness of the telephony opportunity for cable. As MCIT **is** not rolling out in rural areas, we do not anticipate an impact on the rural LECs.

Keys **to** Success for MCIT. MCIT's plan will only be successful if it can effectively market to the right consumers, if it can reduce its costs to make an appropriate margin, and if the regulatory framework does not materially change. As to the first, marketing campaigns are notoriously unpredictable, hut MCIT does have a strong marketing background, as that was the way the old MCI originally built up its business. The plan plays to MCIT's strength relative to some of its competitors, particularly the Bells, which have historically not had to emphasize marketing or customer acquisition, and which currently cannot offer long distance in most of their states. **As** to the financial issues, much depends on MCIT's setting the right price points, given the government-set UNE rates, and effectively targeting customers so that they don't, on balance, lose existing revenues or add to their costs. By using a UNE-P local platform, MCIT significantly reduces its exposure to Bell access charges, in comparison to simply offering a long-distance service, though it still has exposure to access charges on the terminating end. The most critical financial variable is that if MCIT can reduce chum, the increase in revenues due to the longer average customer life will likely more than pay for increased access charges.

Banking on Favorable Regulation. Even if MCIT markets effectively and can reduce chum, it still has the risk that the foundation of the business plan **is** a regulatory framework. Relying on the stability of Moore's Law is one thing; relying on the stability of communications law is another. This strategy is risky given that the current regulatory framework is under attack from rivals and is being reviewed by policymakers and judges.

Broad Debate Over the Future **of** Competition. The plan implicates a core debate in telecommunications about the wisdom and the policy details of the UNE entry strategy. Everyone agrees that as a theoretical matter, pure facilities-based competition (as exists with wireless and long-haul data) is best. Many argue, however, that the cost of building out to every home renders a UNE strategy as the only practical way, at least in the short term, to provide residential local competition to the Bells. The Bells, as well as others that seek to build facilities-based competitive networks, argue that the more the government provides incentives to use UNEs, the less the incentive to invest in competitive networks. This tension between wanting to stimulate faster entry through UNEs and wanting to provide incentives for investing in facilities-based networks has been present in nearly every major telecommunications competition proceeding since the Telecom Act passed.

As time has passed, and as the three major IXC national brands did not pursue a national plan to offer local competition, the debate on the national level seemed to move, at least rhetorically, in the direction of stimulating more facilities-based competition. The Neighborhood offering has the potential to recast the debate. If MCIT's UNE-P strategy is successful, we expect the Bells to push even harder their argument that the current UNE framework does not provide the right incentives for facilities-based competition, noting that MCIT's Neighborhood plan does not include new capital expenditures. We would also expect MCIT and its allies to argue that only after MCIT and others build up a customer base can they invest seriously in last-mile residential networks.

Ultimate Success **of Plan** Depends on Outcome of Key Proceedings. The broad debate between competition strategies is already playing out in various proceedings at the Federal Communications Commission, in the states, and in the courts, putting at risk the regulatory underpinnings of the plan, perhaps even before it is completely rolled out.

First, the price that MCIT will pay for its use of the Bell network is currently set through a complicated interplay of FCC rules and state-by-state implementation. The FCC's forward-looking TELRIC cost methodology is currently under review by the Supreme Court. (See our Oct. 11,2001, note on the oral argument.) If the Court changes the cost standard and sends it back to the FCC -- and eventually the states -- it is likely that the new rules will be less favorable to MCIT than they are today, in our view. While further regulatory and court proceedings would likely take several years, there is a risk of an adverse rule change that changes the underlying economics of MCIT's ability to earn acceptable margins from the offer.

Second, the FCC is reviewing its own rules on UNEs. We believe that it had been moving toward reducing the attractiveness of UNE-P and possibly some other UNE strategies. These changes are more likely to affect the viability of a UNE strategy in the small business market than in the residential market, so MCIT may be on safer ground here. Nonetheless, the question of the extent to which switching will still be an unbundled network element is in play. If the FCC were to remove switching from UNE-P for residential offerings (and some FCC commissioners, including Chairman Michael Powell, have expressed a clear preference for facilities-based competition over UNE-P), it will undercut the long-term viability of the Neighborhood offering. This issue is before the Court of Appeals for the District of Columbia Circuit, which likely will give some guidance to the FCC before the agency completes its triennial UNE review.

Intercarrier compensation Questions; Long Distance Becomes "Free" for Consumers But Costs Remain. The plan could also force an increased focus on intercarrier compensation, for which there is an ongoing FCC proceeding. The plan, and that proceeding, raise questions about the tensions between the way customers use the networks and the way costs are collected. In the case of Neighborhood, consumers will regard incremental long-distance use as free. But under the current cost structure, when MCIT customers call long distance to non-MCIT customers, MCIT will incur incremental, time-sensitive access charges on the terminating end. If the plan causes customers to change their usage patterns in a way that makes the plan economically problematic for MCIT, it will provide more fuel for those who want to change to a pure bill-and-keep system of inter-carrier compensation.

Two historical examples illuminate the problem. First, when AOL shifted to a fixed rate for Internet usage, it massively increased network usage and caused service disruptions, forcing AOL to invest heavily in its network. But because the dial-up access was considered a local call, AOL did not have to confront any time-sensitive charges from other networks. In the case of wireless, the big bucket plans increased usage but there were still limits, in both quantity and time periods, which limited the time-sensitive costs.

There are significant differences between those plans and Neighborhood. When AOL made its offer, the Internet was fairly new, whereas long distance is a commodity and cheap, so changes in usage patterns may not develop. Nonetheless, MCIT risks being hit with an unanticipated bill that the other innovative packages did not have to worry about.

The FCC's handling of this issue could also be affected by the way the D.C. Circuit addresses the appeal of the FCC's decision on reciprocal compensation. A decision is expected in the next few months.

Strategy Raises Political Costs of Change. Despite the risks, we believe there is a considerable political intelligence behind the plan. With massive Bell long-distance entry in the remaining states just a matter of time, and not much time at that, long-distance companies need to build larger moats around their customers and raid the Bell subscriber base while the Bells are still restricted. UNE-P, which already is used to serve some 5 million lines (though we understand most are business lines), is the most economically viable method. Therefore, it is in WCOM's interest to raise the political cost of hurting the UNE-P strategy.

This plan might well accomplish that goal. Neighborhood raises the political stakes for all parties on a number of proceedings pending at the FCC and in the states. As noted above, the FCC is currently reviewing a number of policies that determine what facilities must be provided as UNEs, and a number of states are reviewing UNE pricing. (If the FCC takes some network elements off the UNE list, some state commissions have suggested they might put them back on, raising another legal battle over federal-state authority under the 1996 Telccom Act.)

To the extent that these proceedings involved efforts by CLECs attacking the business market, the political implications were limited. The Neighborhood, however, has greater consumer impact. If MCIT picks up a million customers and then the FCC changes the rules in a way that causes the company to dramatically raise rates or withdraw service in some areas, the political consequences would be much greater than a change affecting small business operators. The plan (along with the likely T and FON follow-up plans if MCIT is successful) could provide a galvanizing example around which the policy debate would occur. Once MCIT reaches a critical mass of customers, any proposed adverse rule change would allow UNE-P providers to charge that the change would kill serious residential local competition in the cradle.

Stakes in State Proceedings Raised As Well. The Neighborhood also raises the stakes in the states. A number of states are reviewing the UNE prices paid by competitors to the Bells. There has been a trend recently to lower the rates, most notably in New York. In that state, in what may be a model for others, state regulators lowered UNE rates but gave Verizon greater retail pricing flexibility, which VZ used to raise rates. We believe that WCOM and T believe that if they can gain a critical mass of customers in some states as a result of lower UNE prices, they will be able to convince other state regulators to also lower the rates so that their citizens can also benefit from new competitive bundles.

The offering may also put pressure on state regulators to lower UNE rates throughout the state. MCIT initially only plans to focus on serving urban areas where state regulators have generally lowered rates more than in rural areas. If the state regulators see the offering as an attractive form of competition that they wish to have offered throughout the state, they may have to be more aggressive about new reductions in less urban areas.

Of course, the states' decisions will also be affected by whatever the Supreme Court decides about the FCC's pricing rules. In any event, with a competitor now poised to throw millions of marketing dollars behind a plan that utilizes the UNE-P platform, the dollars at stake in these state decisions will now be more significant.

The plan may also force states to grapple with intrastate access charges. Given how the MCIT plan affects the attractiveness of telephony to new facilities-based providers, the states may have to shift some of the costs of intrastate access to fixed monthly charges (much as the CALLS plan did for interstate access charges) if they want to encourage new facilities-based competitors, such as cable.

Impact on Sec. 271 Applications. We believe Neighborhood will marginally help the Bells in their efforts to obtain long-distance relief. In the 32 states where the plan will he offered (and in the others as they come on line) the Bell argument that the market is open to competition will be strengthened.

The offering will also he a test of the scalability of the Bells' Operating Support Systems (OSS), which are needed by local competitors leasing Bell networks. The better the MCIT offering works, the more the Bells will be able to argue that their OSS is operating well. (We note that this would not affect a debate, which has arisen in several recent Sec. 271 proceedings, over the OSS systems' ability to handle "hot-cuts," which are required when a competitor uses a UNE-Loop strategy.) On the other hand, if it turns out that MCIT attracts a large number of customers and a Bell company's OSS fails to scale, it will be bad news for both MCIT and that Bell's effort to get into long distance.

Impact on Broadband Debate. We believe the debate over Neighborhood will also spill over into the debate over how to stimulate investment in bringing broadband networks to the home. The Bells have argued that their broadband offerings should be deregulated. To the extent that the UNE-P platform is maintained, and perhaps even strengthened by state pricing decisions, the Bells will no doubt argue that their incentives to invest in network upgrades are being diminished even more, and that, therefore, it is even more critical that their broadband investments not be subject to UNE regulation. On the other hand, we believe that the more successful the Bells are in undercutting the regulatory foundations of the Neighborhood offering, the more difficulty they will face in getting the broadband relief they seek.

New Antitrust Issues for Consolidation. If Neighborhood is successful and is offered nationwide, we would expect T and FON to have to offer similar plans. Depending on the level of success, such plans could raise new antitrust problems with any potential deals between the Bells and IXCs as the companies would now all be directly competing broadly in local markets. The timing of those deals already appears to have been pushed back due to a number of market reasons, but new IXC local offerings add a level of antitrust complexity to potential consolidation.

Bottom line: Negative Consequences Across the Board for Telecom Service Providers. While we think Neighborhood is a smart plan for MCIT and is likely, at least in the short term, to bring new competitive offerings to residential consumers of local telephone service, we think it has negative consequences for a broad spectrum of telecom service providers. The two fundamental problems facing the sector are that it has inadequate drivers of new revenue growth and that wireless and data, the great drivers of new growth in the 1990s, are now causing a margin squeeze across a broad range of services. The MCIT plan does not drive new revenue growth for the sector and could negatively impact everyone's margins. The plan also creates a greater level of regulatory uncertainty for all the players.

Investment Rating: SB-Strong Buy B-Buy M-Market Performance U-Underperform
Risk Rating: 1-Low 2-Average 3-Above-Average 4-Speculative

Additional Information Available Upon Request

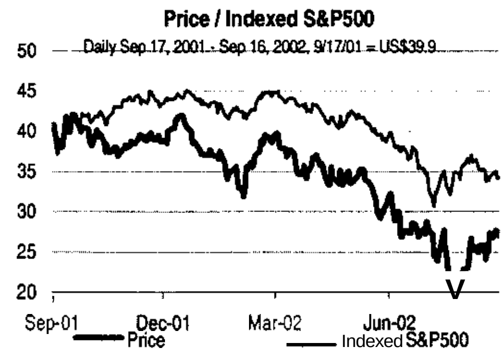
CREDIT SUISSE FIRST BOSTON
Equity Research

Cox Communications Inc.
COX

Intensifying Local Telephone Competition May Dampen Growth Outlook for Cox

Recommendation	NEUTRAL
Price (16 Sep 02)	26.74 (US$)
Target price (12 months)	29.00 (US$)
52 week high. low	42.08 - 20.19
Market cap. (US$m)	15,342.16
Enterprise value (US$m)	15,342.16
Region/ Country	Americas / United States
Sector	Cable TV
Analyst's Coverage Universe	Cable N
Weighting (vs. broad market)	MARKET WEIGHT
Date	17 September 2002

- We believe that competition in the residential local telephone market is intensifying and has negative implications for Cox's long-term growth outlook.
- Our forecast, to date, has had residential telephony contributing 20% (200BP) of revenue growth and 25% to 30% (300BP) of EBITDA growth over the next five years.
- In light of the changes in the competitive environment, we believe acceleration in revenue and EBITDA growth, and significant margin expansion will be difficult.
- AT&T (T, $12.63, Restricted) and MCI (WCOME, Not Covered) have successfully entered markets nationwide via UNE-P, increasing the number of competitors from 2, the ILEC and the cable company; to as many as 4.
- Not only has the number of companies competing for the same customer increased, but also we are beginning to see pricing actions by incumbents, specifically SBC (SBC, $24.30, Outperform, TP $34). Price reductions in the local residential market are unprecedented and we are concerned that this may be the beginning of a trend.
- These two factors **(i.e.** more competitors and lower prices) imply potentially lower penetration rates and ARPU for Cox than we had previously assumed. Our assumptions, to date, were that UNE-P is not a viable business model and the local market would remain a 2-competitor market with no pricing actions taken by incumbents. However, we are not changing our total forecast for Cox because we expect HSD price increases not previously reflected in our model to offset the changes to our telephony forecast.



On 09/16/02 me S&P 500 index closed at 891.1

Year	12/01A	12/02E	12/03E
EPS (CSFB adj, US$)	0.28	0.13	0.10
Prev EPS (US$)			
P/E (x)	95.5	-205.7	267.4
P/E rel (%)	501.6	-1221.1	1902.5
Q1 EPS	0.94	-0.10	
Q2	0.15	-0.03	
Q3	0.16	0.02	
Q4	0.34	0.02	

Number of shares (m)	573.75	IC (06/02A, US$m)	—
BV/Share (06/02A, US$)	—	EV/IC (x)	
Net Debt (06/02A, US$m)	8,298.0	Dividend 2001 (US$)	—
Net debt/Total cap (06/02A)	—	Dividend yield	—

Year	12/01A	12/02E	12/03E
Revenues (US$m)	4,343.0	5,001.0	5,595.0
EBITDA (US$m)	1,569.0	1,770.0	1,993.0
OCFPS (US$)	2.40	2.81	3.16
P/OCF (x)	10.8	9.5	8.5
EV/EBITDA (x)	9.8	8.7	7.7
ROIC	—	—	—

Source Company data CREDIT SUISSE FIRST BOSTON (CSFB) estimates

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Until Recently, the Competitive Environment Had Been Benign

Until recently, the competitive environment for residential local telephone service had been fairly benign. The market had been a monopoly with the incumbent local exchange company (ILEC) serving virtually 100% of the market. Cox, AT&T (T, $12.63, Restricted), and Insight (ICCI, $9.18, Not Covered) have taken advantage of this friendly environment by offering their own branded telephone service using circuit-switched technology over their cable plant. The plan has been successful to date, with market penetration for Cox of 16% company-wide and as much as 30% in individual markets. While ARPU has been falling for the past few years due to declining long distance pricing and second line penetration, we hadn't seen any of the ILECs engage in competitive pricing actions. The exponential unit growth and improving margins more than made up for the ARPU declines.

Our long-term outlook for this business has, in the past, been characterized by stable, but slightly declining ARPU and by the continuation of the duopoly industry structure with cable continuing to take share from the ILECs.

Local Telephone Competition Heating Up as the Number of Competitors Increases from 2 to 4

We believe that we are now in the early stages of an emerging trend toward increased competition that has risen out of changes on the regulatory front. In the past, while ILECs were required to resell their networks to competitors under an arrangement known as UNE-P (unbundled network elements – platform), the wholesale prices approved by state public utilities commissions (PUCs) had been prohibitively high, too high for competitors to enter the market and earn an economic return. Many state PUCs are now forcing ILECs to lower UNE-P rates to make it economically feasible for competitive entry. This has led AT&T and MCI to take another look at UNE-P and, as a result, both companies are now offering local telephone service in several states and expanding their respective footprints aggressively.

AT&T is now offering local service using UNE-P in New York, Texas, Michigan, Georgia, Illinois, Ohio, California, and New Jersey; and plans to enter Massachusetts in 4Q02, and another eight states in 2003.

Beginning to See ILECs Respond with Pricing

SBC has lowered local rates either explicitly or implicitly through changes in packages in Illinois, Michigan, Ohio, and California in response to the entrance of AT&T and MCI. This is cause for concern as it demonstrates that the RBOCs are willing to compete with pricing actions. It remains to be seen just how far SBC will go to defend market share and also whether the other RBOCs will follow SBC's lead. Nevertheless, we believe these unprecedented actions by RBOCs may lead to pricing instability within the local markets.

Changes to Our Forecast

Given the changes in the competitive environment that we have outlined, we are no longer comfortable with our assumptions surrounding the intermediate and long-term outlook for Cox's telephony service. We believe that, while Cox will probably not see any impact in 2002 to its telephony subscriber growth, it may begin to feel some pressure in 2003 and beyond. Increasing the number of competitors from two to four, in our opinion, has to affect any one competitor's long-term market share position negatively. We also believe that ARPU, over time, will decline more *so* than previously expected as a result of some level of price competition.

We have lowered our subscriber growth forecast such that the company reaches 25% penetration by 2010, versus our previous projection of 28%. We also project more steep declines in ARPU to reflect higher levels of competition. However, we are not changing our forecast for total company revenue and EBITDA because we believe that the downward revisions to our telephony forecast will be offset by price increases in high speed data, which we had not previously factored into our model.

The following exhibits depict the changes to our telephony subscriber forecast.

Exhibit 1: Changes to Telephony Net Add Forecast

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revised Model									
Subscribers	698	913	1,109	1,304	1,498	1,694	1,890	2,085	2,276
Net Adds	244	215	196	195	194	196	196	195	191
% Penetration of homes marketed	15.2%	16.0%	17.6%	18.8%	19.7%	20.5%	21.2%	23.1%	24.9%
Previous Model									
Subscribers	698	929	1,160	1,393	1,628	1,864	2,103	2,343	2,579
Net Adds	244	231	231	232	236	235	239	241	236
% Penetration of homes marketed	15.2%	16.3%	18.4%	20.1%	21.5%	22.6%	23.6%	25.9%	28.2%
Chanae to Forecast									
Subscribers		(16)	(51)	(89)	(130)	(170)	(213)	(258)	(303)
Net Adds		(16)	(35)	(37)	(42)	(39)	(43)	(46)	(45)
% Penetration of homes marketed	OBP	-28BP	-81BP	-128BP	-172BP	-206BP	-238BP	-286BP	-331BP

Source: Company data, CSFB estimates.

Premium Valuation Appears High Given Execution Risk

Cox has outperformed the sector over the past month, yesterday closing up 32% from its August low of $20. Cox is currently trading at $3,300/sub vs. $2,800/sub on average for the industry. Cox's EBITDA multiple to growth of 0.97x represents a premium to its peers, but is somewhat justified by Cox's strong balance sheet and management team, and good fundamentals. We believe the upside for Cox shares will be limited in the near-term, absent a rally in the sector, due to the execution risk in the 5-year growth plan outlined by management last week and uncertainty over the implications of a more competitive telephony market.

Our comparable trading multiples analysis is on the following page.

Exhibit 2: Comparable Trading Multiples

US Cable Sector Trading Comparables	P.F. AT&T Comcast [1]	COX	CHTR	CVC	MCCC	Time Warner Cable	Total
Rating	Restricted	Neutral	Neutral	Underperform	Outperform	Restricted	
12-Month Price Target	NA	$ 29.W	$ 8.00	5 15.00	$ 10.00		
Current Share Price	$ 23.73	$ 2660	$ 291	$ 10.99	$ 6.70		
FD Shares Oustanding	2.343	630	661	303	130		
Public Float (# of Shares)	2.264	200	260	233	62		
FD Market Capitalization	55.590	16.758	1,962	3,325	874		76,509
Net Debt (BV)	25,024	7,870	17.566	7,409	2.883	8,100	68.852
Net Debt (BV) /Trailing 12 Months EBITDA	4 4x	4.7x	9.5x	8 6x	8.1x	3.1x	
Net Debt (MV)	25.024	7.870	13,530	6,590	2 628	8 100	63,742
Minority Interest	8,900	131		874			9.905
Non-Consolidated Assets	7,637	3.356		638			11,633
EV of Consolidated Operations (BV of Debt)	81.677	21,402	19,527	10,970	3,757		137,333
EV of Consolidated Operations (MV of Debt)	81.677	21,402	15.492	10.151	3 502		
EV of Consolidated Non-Cable Assets		750		2,004	-		
EV of Cable Operations (BV of Debt)	NA	20,652	19,527	8,965	3.757		
EV of Cable Operations (MV of Debt)	NA	20,652	15.492	8.147	3.502		
2002 Cable EBITDA	4,983	1.699	2,036	911	382	2,793	12,807
%Margin		35.5%	43.8%	39.7%	41.3%	39.1%	
2002 Consolidated EBITDA	5,564	1,770	2,038	1,005	382	2,793	13,553
% Margin		35.4%	43.8%	22.2%	41.3%	39.1%	
2003 Cable EBITDA		1,911	2,266	1,041	420	3.122	
%Margin		35.9%	43.1%	41.8%	40.7%	39.1%	
2003 Consolidated EBITDA		1.997	2.266	1,187	420	3.122	
%Margin		35.7%	43.1%	24.7%	40.7%	39.1%	
Subscribers	21,714	8.250	6.805	2.999	1,585	9,263	48.616
Homes Passed	39.342	10,076	11,777	4.346	2,692	15,769	84,002
2001 - 2006 CAGR:							
Cable		11.1%	9.8%	10.9%	9.8%	10.3%	
Consolidated		11.5%	9.8%	15.2%	9.8%	10.3%	
ultiples Using BV of Debt							
Consolidated Firm Value to: (using BV of Debt)							
2002 EBITDA	14 7x	12.1x	9.6x	10.9x	9 8x		10.1x
2W3 EBITDA		10.7x	8.6x	9.2x	9 0X		
2002 EBITDA:5-year EBITDA Growth		1.06x	0.98x	0.72x	1 01x		
2003 EBITDA:5-year EBITDA Growth		0.94x	0.88x	0.61x	0 92x		
Cable Firm Value to: (using BV of Debt)							
2002 Cabk EBITDA		12.2x	9.6x	9.8x	9 8x		
2003 Cabk EBITDA		10.8x	8.61	86	90		
2002 Cable EBITDA:5-year EBITDA Growth		1.10x	0.98x	0.90x	101		
2003 Cabk EBITDA:5-year EBITDA Growth		0.97x	0.88x	0.79x	0.92x		
Subscribers		3,304	2.870	2,989	2.370		
Homer Passed		2,050	1.658	2,063	1,396		
Net Debt (at BV) per Subscriber	1,152	1,259	2.581	2,470	1,l	874	1,416
ultiples Using MV of Debt:							
Consolidated Firm Value lo: (using MV of Debt)							
2002 EBITDA	14.7x	12.1x	7.6x	10.1x	9 2x		
2003 EBITDA		10.7x	6.8x	8.6x	8 3x		
2002 EBITDA:5-year EBITDA Growth		1.06x	0.78x	0.66x	0 94"		
2003 EBITDA:5-year EBITDA Growth		0.94x	0.70x	0.56x	0 85x		
Cable Firm Value to: (using MV of Debt)							
2002 Cable EBITDA		12.2x	7.6x	8.9x	9.2x		
2003 Cabk EBITDA		10.8x	6.8x	7.8x	8.3x		
2002 Cable EBITDA:5-year EBITDA Growth		1.10x	0.78x	0.82x	0.94x		
2003 Cable EBITDA:5-year EBITDA Growth		0.97x	0.70x	0.72x	0.85x		
Subscribers		3,304	2,277	2,716	2,210		
Homer Passed		2,050	1,315	1,875	1,301		
Net Debt (at MV) per Subscriber	1,152	1,259	1,988	2,197	1,658	874 #	1,311

:omcast and AT&T not covered by CSFB. 2002 EBITDA is based on management's guidance where avaiable. Where 2002 guidance was
't available, 2001 figures were used and assumed to not change in 2002. Net Debt based on mgt.'s guidance. Non-consolidated assets valued
.sed on public market value. AT&T's private assets are assumed to be worth: $5B for TW Cable stake and $2.5B for cable partnerships.

Source: Company data, CSFB estimates.

Companies Mentioned ***(Price as of 16 Sep 02)***

Cox Communications, Inc. (COX, **$26.74,** NEUTRAL, TP **$29**)

AT&T Corporation (T, 512.32, RESTRICTED]
(icci)
SBC Communications, Inc. (SBC, 524.58, OUTPERFORM. TP $34)
(wcome)

Closing Prices are as of September 16, 2002:

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Outperform: The stock's total return is expected to exceed the industry average' by at least 10-15% (or more, depending on perceived risk) over the next 12 months.

Neutral: The stocks total return is expected to be in line with the industry average' (range of ±10%) over the next 12 months.

Underperform: The stock's total return is expected to underperform the industry average' by 10-15% or more over the next 12 months.

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Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

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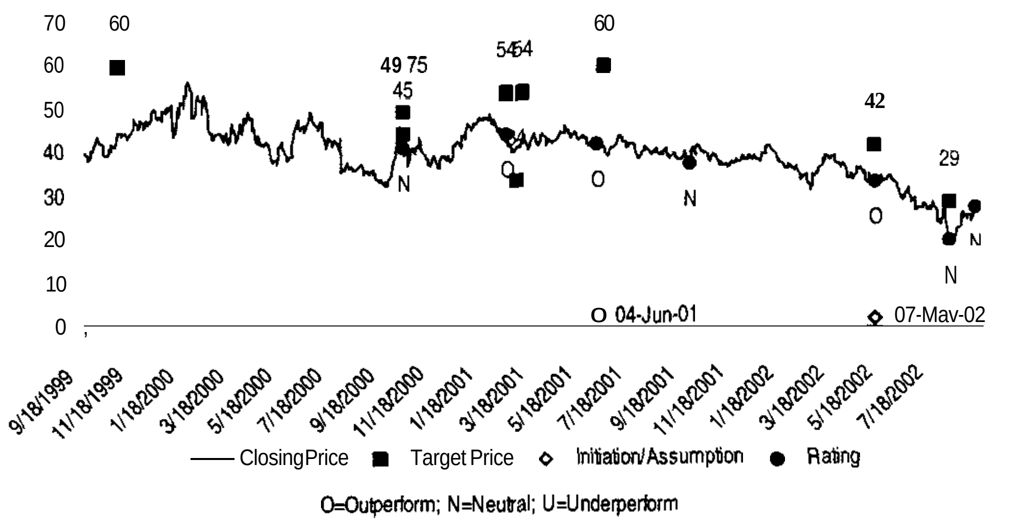
Price Target: (twelve months) for (COX)

Method: DCF

Risks: If demand for new services is less than forecasted, regulatory environment becomes more onerous, if long-term capex is higher than expected, valuations will be negatively impacted.

3 year history chart for COX



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